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August 17, 2006

Mary Cottrell
Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: NSTAR Gas Company, D.T.E. 06-66

Dear Ms. Cottrell:

On July 27, 2006, NSTAR Gas Company ("NSTAR" or "Company") made a compliance filing with the Department of Telecommunications and Energy ("Department"), in accordance with the Settlement Agreement approved by the Department in NSTAR Gas Company, D.T.E. 05-85 (2005), for approval of a Fixed Price Option ("FPO") Pilot Program for residential and small commercial customers. On July 28, 2006, the Department issued an order of notice requesting comments on the proposed FPO Pilot Program. Pursuant to the Department's order, the Attorney General submits this letter as his Comments.

In recognition of the increasing difficulty among customers to predict and adjust to fluctuating natural gas prices, especially during the winter heating season, the parties to the D.T.E. 05-85 Settlement Agreement agreed to develop a fixed-rate option plan for residential and small commercial Default Service customers. *See* Paragraph 2.22 of the Settlement Agreement.¹ In accordance with the terms of the Settlement, NSTAR has worked together with the Attorney General and the Low-Income Affordability Network (LEAN) on the design of the FPO Pilot Program.

¹ "NSTAR Gas shall develop, file with the Department and implement for effect no sooner than November 2006, a fixed-price option for residential and small commercial Default Service customers. NSTAR Gas shall work cooperatively with the Attorney General and LEAN relating to the design of the proposal before filing with the Department and to a method for further review of natural gas procurements and possible modification for contracts of longer terms." *Settlement Agreement* § 2.22, p. 14.

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The FPO Pilot Program will give NSTAR's residential and small commercial customers an option to participate in a program that will provide a more stable, predictable gas price over the winter heating season. The FPO Pilot Program will allow customers to "lock in" the gas costs that have been incorporated within the Company's Gas Adjustment Factors ("GAF") calculation prior to the beginning of the winter heating season. If, during the course of the winter, actual gas costs differ from the forecasted price levels, FPO Pilot Program participants will not be faced with mid-season adjustments.

The FPO Pilot Program will allow customers options not otherwise available to avoid the volatility in the GAF from supply constraints, weather conditions and market forces. The Attorney General urges the Department to swiftly approve the FPO Pilot Program so that its benefits can be made available to customers this winter season.

Respectfully submitted,
THOMAS F. REILLY
ATTORNEY GENERAL

By: _____
Joseph W. Rogers
Assistant Attorney General

cc: Service List